

raent with interest at a future date, *by* which the banks had endeavored to escape the obligation to pay cash on demand to depositors and note-holders. An effort was made to evade this provision by issuing deposit books, making the same promise. They were first issued mainly to depositors, but they came to be extensively issued during the pressure of 1834 in discounting paper. The General Court passed a law in that year prohibiting the practice.

The organization of banks in Massachusetts proceeded with alarming rapidity during this period of speculation, and at the end of 1836, seventy-eight new banks had been added to the sixty-two older banks, and forty-three of the latter had obtained an increase of capital. Several banks succumbed towards the close of the year, but the Boston banks were mainly sound and followed the New York banks reluctantly on May 12, 1837, in the suspension of specie payments. An act of 1809 imposed a penalty of two per cent, a month on banks which failed to redeem their notes in specie. This provision was not enforced in 1837, and the General Court suspended it until January 1, 1839, in the case of banks which kept their circulation within seventy-five per cent, of their capital, redeemed notes below \$5 in Boston, and below \$3 elsewhere, and complied with some other conditions. Voluntary resumption took place throughout the State on August 13, 1838. Failures still continued among the mushroom institutions which had been created during the period of speculation, and thirty-two Massachusetts banks wound up their affairs between 1837 and 1844. The necessity of more efficient supervision by the State was made plain by the crisis of 1837, and three bank commissioners were authorized to make annual examinations of all the banks and special examinations when they thought proper. This law was repealed after five years, but the Massachusetts banks were now upon a sound basis and failures were few during the twenty-five years before the creation of the national system. Only two failures occurred between 1840 and 1855, and the notes in both cases were paid in full.

Most of the bank charters were renewed for twenty years